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FISCAL IMPACT REPORT

SPONSOR Lujan, B DATE TYPED 3/08/05 HB 1053/aHFL#1

SHORT TITLE Repeal Business Development Corporation Act SB _____

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$500.0 See Narrative			Non-Recurring	Business Development Corporation Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$850.0 See Narrative		Non-Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Labor (DOL)

Economic Development Department (EDD)

SUMMARY

Synopsis of HFL#1 Amendment

House Floor amendment #1 strikes the \$1 million appropriation to EDD and instead appropriates a total of \$500 thousand to EDD for the following purposes:

- \$100 thousand for hydrogen and fuel cell technologies development;

- \$200 thousand for the New Mexico mainstreet program; and
- \$200 thousand for the development of business and job opportunities with respect to land grants, tribes and rural communities.

The bill continues to transfer the remaining balance of the business development corporation fund to the general fund, which will be approximately \$850 thousand.

There appears to be a typo in the amendment. The amendment should strike the words “One million dollars (\$1,000,000) is” on page 1, line 17. As currently written, the amendment results in the phrase “The following amounts are is appropriated...”

Synopsis of Original Bill

House Bill 1053 repeals the Business Development Corporation Act and appropriates \$1 million from the business development corporation fund to the EDD for the purpose of enhancing small business and rural economic development in New Mexico. The balance of the fund, after the appropriation, shall be transferred to the general fund.

Significant Issues

Sections 53-7-1 through 53-7-46 NMSA 1978 establishes the business development corporation as a for-profit corporation to promote and stimulate business in New Mexico. The business development corporation fund was created as part of this Act.

The EDD is generally charged with developing business opportunities in New Mexico. In 2003, the Economic Development Partnership (EDP) was created in concert with the passage of the Economic Development Corporation Act as a non-profit organization to focus on recruiting new business to the state and helping existing businesses to expand. Currently, EDP is funded entirely through a contract with EDD; however, the statute requires EDP to solicit funding from federal and private sources. Essentially, EDD out sources its business development functions to EDP.

House Bill 1053 appropriates \$1 million to EDD for the purpose of enhancing small business and rural economic development in New Mexico. The bill provides little detail as to how EDD should spend the funding. EDD could direct some or all of this funding to the EDP or could direct it to its other existing programs.

Based on information received from the EDD Secretary Homans, EDD proposes to use the \$1 million appropriation to fund Economic Project Implementation Grants and to double the number of Main Street Communities.

EDD indicates that it would spend \$500 thousand to provide technical assistance to take 10 existing economic development strategic plans in disadvantaged communities and begin to implement them. Ten grants of \$50 thousand each would be awarded for implementation of economic projects to 3 Indian tribes, 3 land grant communities and 4 rural communities. EDD indicates that by January 2007, 10 projects would be under construction or opening their doors.

According to EDD, another \$500 thousand would be used to double the number of Main Street Communities, which EDD asserts is one of the state’s most successful economic development

programs. Currently, 19 communities participate in the Main Street program, which provides technical and support services. To help smaller communities, EDD has created a "Satellite Main Street Community" designation. EDD proposes to use \$500 thousand to fund 8 additional Main Street communities and 11 additional Satellite Main Street communities. According to EDD, the following communities have committed resources and applied for Main Street designation: Chama, Clayton, Espanola, Gallup, Las Vegas, Raton, Santa Rosa and Springer.

The Senate Finance Committee substitute for House Bill 2 appropriates \$1 million to the EDD for the EDP. The EDP has a staff of 6. By statute, EDP is required to establish relationships with communities throughout New Mexico, work for those communities in recruiting the types of businesses and jobs sought by the communities, solicit economic development funds from federal and private sources, participate in economic development conferences and job fairs to educate businesses throughout the country and the world on the economic benefits and other attractions of New Mexico, and sponsor forums and conferences to improve business skills of New Mexico businesses and citizens.

EDD has essentially contracted out its business development activities to EDP, raising questions as to the logic of outsourcing core agency activities while maintaining full staffing to provide the same functions. This duplication of function has clearly created integration challenges and ambiguity of purpose for EDD business development staff in-house.

The appropriation contained in this bill may exacerbate this concern, providing \$1 million for EDD programs that appear to duplicate the goals of the EDP, for which another \$1 million is appropriated in House Bill 2.

FISCAL IMPLICATIONS

The bill makes a non-recurring appropriation of \$1 million from the business development corporation fund to the EDD. Any unencumbered or unexpended balance remaining at the end of FY 06 will revert to the general fund. The remainder of the current balance in the business development corporation fund, approximately \$350 thousand according to the Treasurer's Office, will be transferred to the general fund and the business development corporation fund will be repealed.

The appropriation of \$1 million to EDD appears to be substantially similar to an appropriation of \$1 million in the Senate Finance Committee substitute for House Bill 2. The latter appropriation is contingent upon the EDP's securing \$300 thousand in private funding.

OTHER SUBSTANTIVE ISSUES

With the recent establishment of the EDP, the continued existence of the business development corporation appears to be duplicative. It therefore seems reasonable to repeal the corporation.

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